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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Magalie Roman Salas
Office of the Secretary
Federal Communication Commission
445 Twelfth St SW Room TW-A 325
Washington, D.C. 20554

RE: SBC Communications Inc. and Ameritech Corporation (CC Dkt. No 98-141)

Dear Ms. Salas:

On April 1, 1999, Chairman Kennard sent Richard C. Notebaert, Chairman and Chief Executive Officer of the Ameritech Corporation, and Edward E. Whitacre, Jr., Chairman and Chief Executive Officer SBC Communications, Inc., a letter which raised serious concerns about the proposed merger of the two companies [Letter from Chairman Kennard to Richard Notebaert and Edward Whitacre, RE: Applications of SBC Communications Inc. and Ameritech Corp. for Transfer of Control (CC Docket No. 98-141). April 1, 19999]. The letter informs the executives of Chairman Kennard's request to explore with interested parties, on a cooperative and public basis, whether it would be possible to craft conditions on the merger that address the public interest concerns. The Benton Foundation and OMB Watch ("Commenters") write to support Commission efforts to 1) close the "digital divide," 2) prevent delayed rollout of high-bandwidth services in low-income communities, and 3) increase telephone penetration.

In 1998, the Benton Foundation published ***Losing Ground Bit by Bit: Low-Income Communities in the Information Age***. The report examines the technology gap in low-income communities, assesses what barriers are slowing the spread of new technologies to the underserved, and describes some of the most promising efforts to produce a more equitable distribution.

The design of the communications system through which we will talk to one another, learn from one another, and participate in political and economic life together is too important to be left to the free market alone. We must ensure that the emerging networks meet the basic economic, social, political, and cultural needs of everyone, regardless of their ability to pay or where they live.

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List A B C D E

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1. Closing the Digital Divide

Even as digital technologies are bringing an exciting array of new opportunities to many Americans, they actually are aggravating the poverty and isolation that plague some rural areas and inner cities. Study after study shows the growing divide between those without access to new digital technologies and those without:

- In an August 1996 survey of southern Californians, the Los Angeles Times found that just 22 percent of households earning less than $25,000 had access to computers, compared to 69 percent of those with incomes over $50,000. "
- According to a Computer Intelligence 1998 Consumer Technology Survey, 80 percent of families making more than $100,000 have computers. By contrast, of those families making less than $30,000 a year, only 25 percent have computers.
- A 1998 study led by David Birdsell of Baruch College found significant disparities in the area of education: of people with an undergraduate degree or higher, 53 percent use the Web while only 19 percent of people with a high school education or less are Web users.
- A 1998 Vanderbilt University study based on Nielsen data from late 1996 and early 1997 indicates that racial inequities in computer ownership and Internet access jump significantly when household incomes drop below $40,000. In such cases, African Americans were less than half as likely as whites to own a home computer and about 60 percent as likely to have Internet access.
- While all but 6 percent of U.S. households have telephones, 43.5 percent of families who depend entirely on public assistance and 50 percent of female-headed households living at or below the poverty line lack even this basic technology. And African Americans and Latinos lag about 10 percentage points behind their white counterparts in access to telephones even when income is held constant.

There is no easy way to measure the impact of the current inequitable distribution of information technologies, but it clearly is becoming an increasingly important contributor to inequality in America. The Office of Technology Assessment (OTA) described the effect as "the concentration of poverty and the deconcentration of opportunity."

In his April 1 letter, Chairman Kennard asks, "How can the Commission be assured that the proposed combination will serve the Communications Act's public interest mandate by improving overall consumer welfare?" Commenters purpose that the condition of the merger ensure that the combined company provide substantial, sustained funding to technology access programs such as the Community Technology Fund created as a condition of the SBC-Pacific Telesis merger. Commenters purpose two potential administrators for such funds:

- **Universal Service Administration Company** which is currently responsible for administering the telecommunications universal service programs for the Commission.

- **National Education Technology Fund**, created by the Telecommunications Act of 1996 to receive discretionary grants, contracts, gifts, contributions, or technical assistance from any federal department or agency for the purpose of leveraging resources and stimulate private investment in education technology infrastructure.

Either of these organizations could be directed to leverage these funds with existing e-rate funding to expand access in low-income areas. In areas underserved by public schools and libraries, private-public non-profit ventures could provide community computer centers.

2. Accelerating Broadband Access in Low-Income Communities

Groups such as the United Church of Christ that have studied patterns of telecommunications investment have found that, all too often, telephone and cable companies have moved quickly to wire wealthier suburbs with advanced systems, while poor, inner-city neighborhoods aren't upgraded. While public attention is often focused on whether individuals can get a service, the equally important problem is that lack of adequate telecommunications facilities makes an area less attractive for businesses. This can feed a spiral where the lack of investment at the community level leads to fewer economic opportunities for people who live there. As a result, the poverty in the neighborhood makes it a less inviting target for investment, further aggravating the problem.

As the race to provide high-bandwidth services to residential areas begins, the Commission should take steps to ensure that low-income communities are not forgotten by seeking an anti-redlining commitment from the combined company. This commitment should cover all broadband technologies and should last no less than seven years. As a model, the Commission should examine the SBC-Ameritech merger agreement in Ohio which requires that after the merger, at least 10% of the central offices receiving ADSL or ADSL type services must be offices in large urban areas with relatively large numbers of low income households.

3. Increasing Phone Penetration

Chairman Kennard rightly asks of Ameritech and SBC executives, "How can the Commission be assured that the merger would promote the objective of the Telecommunications Act of 1996 to encourage competition in all telecommunications markets?" The Commission should not lose focus on Sec 254 of the Act, however, and the Act's commitment "to make available, so far as possible, to all the people of the United States, without discrimination on the basis of race, color, religion, national origin, or sex, a rapid, efficient, Nation-wide, and world-wide wire and radio communication service with adequate facilities at reasonable charges."

A. To ensure increased subscribership for low-income consumers, the Commission should require a expanded and robust Lifeline/Linkup program which would: make phone service more affordable for low-income consumers, extend eligibility to the working poor with incomes up to 150% of poverty, be well publicized in the communities where it is needed, provide for automatic enrollment of categorically eligible people (as is done in New York State), have sufficient, well-trained staff to promptly handle all inquires about the program and to expeditiously enroll people in it and, reserve a percentage of funding for community voicemail services to provide connections for homeless consumers.

B. The company should cease the disconnection of basic local service of any residential customer where that customer fails to pay for long distance or other services.

C. The merged company should create a "Universal Service Equal Access Fund" that
(a) provides an incentive for the company to increase telephone penetration among low income households and
(b) provides funds for other entities, including competitors, to act to increase telephone penetration to the extent the merged company is ineffective in doing so.

The fund would be paid into by the merged company according to a formula based upon the disparity between telephone penetration among low income consumers and the general population.

In order to provide maximum incentive, the company should have a one year, ramp-up period during which it does not pay into the fund. At the end of this period the initial determination would be made of the penetration rate disparity. The company's contribution would change each year based upon recalculation of the penetration rate disparity. (See Edgemont Neighborhood Coalition Letter to Thomas Krattenmaker, Robert Atkinson, and Bill Dever, SBC Communications Inc. and Ameritech Corporation (CC Dkt. No 98-141). April 15, 1999. "Edgemont")

D. The merged company should create a mechanism to ensure that its performance in the areas which support the ability of at-risk households to keep telephone service do not degrade. A benchmark would be arrived at for each of five indicators for the past year and compared to performance in the areas in each of the years after the merger. The indicators rely on existing data to measure termination rates, money at risk, deferred payment agreement success, weighted arrears, and percent of customers in debt. Degraded performance on an aggregated index of those indicators, would result in a penalty being assessed. If there are four consecutive years without degradation the mechanism would dissolve. (See Edgemont).

E. The merged company should commit to not hard-sell extra features or "packages" to residential customers. Specific practices should be listed and made off limits.

All of the commitments recommended above need to be specific and concrete with clear timetables and significant penalties if they are not properly implemented. Progress reports and supporting data should be provided to parties filing comments in this proceeding and those parties should be given the right to trigger a compliance review and enforcement action.

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